

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Leighton Twp Green Lake Sewer Commissio		County Allegan	
Fiscal Year End 3/31/07		Opinion Date 6/30/07		Date Audit Report Submitted to State August 24, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

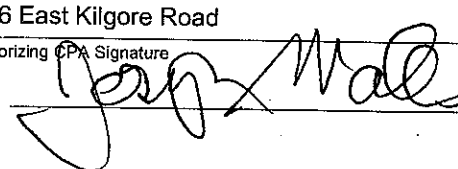
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269.381.4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M Walls		License Number 1101013696

*Leighton Township Green Lake Sewer Commission  
Allegan County, Michigan*

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Years ended March 31, 2007 and 2006*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
Leighton Township Green Lake  
Sewer Commission**

We have audited the accompanying basic financial statements of the Leighton Township Green Lake Sewer Commission, component unit of the Township of Leighton, Michigan, as of March 31, 2007 and 2006, and for the years then ended, as listed in the contents. These financial statements are the responsibility of the Leighton Township Green Lake Sewer Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leighton Township Green Lake Sewer Commission at March 31, 2007 and 2006, and the changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Leighton Township Green Lake Sewer Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

June 30, 2007

## **BASIC FINANCIAL STATEMENTS**

**Leighton Township Green Lake Sewer Commission****STATEMENT OF NET ASSETS***March 31, 2007 and 2006*

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 596,285	\$ 563,142
Receivables	<u>68,507</u>	<u>63,952</u>
Total current assets	<u>664,792</u>	<u>627,094</u>
Noncurrent assets:		
Receivables	160,000	217,500
Capital assets not being depreciated	138,782	138,782
Capital assets, net of accumulated depreciation	<u>2,014,917</u>	<u>2,115,274</u>
Total noncurrent assets	<u>2,313,699</u>	<u>2,471,556</u>
Total assets	<u>2,978,491</u>	<u>3,098,650</u>
<b>LIABILITIES</b>		
Current liabilities - due to other governmental units	-	2,468
Noncurrent liabilities - long-term obligations	<u>324,000</u>	<u>382,800</u>
Total liabilities	<u>324,000</u>	<u>385,268</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	1,829,699	1,871,256
Reserved for debt service	215,335	280,392
Unrestricted	<u>609,457</u>	<u>561,734</u>
Total net assets	<u>\$ 2,654,491</u>	<u>\$ 2,713,382</u>

*See notes to financial statements*

**Leighton Township Green Lake Sewer Commission**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

*Years ended March 31, 2007 and 2006*

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Sewer usage charges	\$ 108,209	\$ 107,786
<b>OPERATING EXPENSES</b>		
Administrative fees and per diems	6,600	6,320
Repairs and maintenance	17,831	20,378
Professional fees	10,013	3,395
Contract services	46,168	44,016
Telephone	2,926	2,198
Insurance	2,391	2,468
Utilities	4,947	3,625
Miscellaneous	1,808	1,775
Depreciation	<u>100,357</u>	<u>111,318</u>
Total operating expenses	<u>193,041</u>	<u>195,493</u>
<b>OPERATING LOSS</b>	<u>(84,832)</u>	<u>(87,707)</u>
<b>NONOPERATING REVENUES</b>		
Interest revenues:		
Special assessments	11,960	14,605
Other	26,373	16,432
Hook-up fees	6,100	10,950
Interest expense and fiscal charges	<u>(18,492)</u>	<u>(20,583)</u>
Total nonoperating revenues	<u>25,941</u>	<u>21,404</u>
<b>CHANGES IN NET ASSETS</b>	(58,891)	(66,303)
<b>NET ASSETS - BEGINNING</b>	<u>2,713,382</u>	<u>2,779,685</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 2,654,491</u>	<u>\$ 2,713,382</u>

*See notes to financial statements*

**Leighton Township Green Lake Sewer Commission****STATEMENT OF CASH FLOWS***Years ended March 31, 2007 and 2006*

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 109,119	\$ 106,820
Payments to suppliers	<u>(95,152)</u>	<u>(81,707)</u>
Net cash provided by operating activities	<u>13,967</u>	<u>25,113</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Hook-up fees	6,100	10,950
Assessment collections	57,500	60,000
Interest on special assessments	11,960	14,605
Acquisition of capital assets	-	(18,989)
Interest paid on general obligation bonds	(17,292)	(19,383)
Principal paid on general obligation bonds	<u>(60,000)</u>	<u>(55,000)</u>
Net cash used in capital related financing activities	<u>(1,732)</u>	<u>(7,817)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>20,908</u>	<u>10,566</u>
<b>NET INCREASE IN CASH</b>	33,143	27,862
<b>CASH - BEGINNING</b>	<u>563,142</u>	<u>535,280</u>
<b>CASH - ENDING</b>	<u>\$ 596,285</u>	<u>\$ 563,142</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (84,832)	\$ (87,707)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	100,357	111,318
(Increase) decrease in accounts receivable	910	(966)
Increase (decrease) in accounts payable	<u>(2,468)</u>	<u>2,468</u>
Net cash provided by operating activities	<u>\$ 13,967</u>	<u>\$ 25,113</u>

*See notes to financial statements*



**Leighton Township Green Lake Sewer Commission**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Leighton Township Green Lake Sewer Commission, Michigan (the Commission), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Commission's financial statements.

Leighton Township has determined that the Commission meets the criteria for a component unit.

*b) Basis of accounting:*

The Commission uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The Commission has elected not to follow subsequent private-sector standards.

*c) Operating revenues and expenses:*

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to the constituent municipalities for operating and maintaining the utility systems located in and owned by the constituent municipalities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets and liabilities:*

*i) Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - All receivables are considered to be fully collectible.

**Leighton Township Green Lake Sewer Commission**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets and liabilities (continued):*

*iii) Capital assets* - Capital assets, which include property, equipment, and vehicles, are defined by the Commission as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Sewer system and improvements	40 years
Equipment	10 years

**NOTE 2 - CASH:**

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Commission's investment policy authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Commission's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007 and 2006, \$212,687 and \$238,540, respectively, of the Commission's bank balances of \$564,068 and \$597,687 was exposed to custodial credit risk because it was uninsured.

The Commission believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 3 - RECEIVABLES:**

Receivables for the Commission as of years ended March 31, 2007 and 2006, in the aggregate, are as follows:

	<u>Charges for service</u>	<u>Interest</u>	<u>Special assessments</u>	<u>Totals</u>
2007	\$ 1,408	\$ 17,099	\$ 210,000	\$ 228,507
2006	2,318	11,634	267,500	281,452
Noncurrent portion:				
2007	-	-	160,000	160,000
2006	-	-	217,500	217,500

**Leighton Township Green Lake Sewer Commission**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Commission for the years ended March 31, 2007 and 2006, was as follows:

	<i>Balance April 1, 2006</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2007</i>
Capital assets not being depreciated - land	<u>\$ 138,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,782</u>
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	<u>44,066</u>	<u>-</u>	<u>-</u>	<u>44,066</u>
Subtotal	<u>3,898,098</u>	<u>-</u>	<u>-</u>	<u>3,898,098</u>
Less accumulated depreciation for:				
Sewer system	(1,760,413)	(96,350)	-	(1,856,763)
Equipment	<u>(22,411)</u>	<u>(4,007)</u>	<u>-</u>	<u>(26,418)</u>
Subtotal	<u>(1,782,824)</u>	<u>(100,357)</u>	<u>-</u>	<u>(1,883,181)</u>
Total capital assets being depreciated, net	<u>2,115,274</u>	<u>(100,357)</u>	<u>-</u>	<u>2,014,917</u>
Total capital assets, net	<u>\$ 2,254,056</u>	<u>\$ (100,357)</u>	<u>\$ -</u>	<u>\$ 2,153,699</u>
	<i>Balance April 1, 2005</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2006</i>
Capital assets not being depreciated - land	<u>\$ 138,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,782</u>
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	<u>25,077</u>	<u>18,989</u>	<u>-</u>	<u>44,066</u>
Subtotal	<u>3,879,109</u>	<u>18,989</u>	<u>-</u>	<u>3,898,098</u>
Less accumulated depreciation for:				
Sewer system	(1,653,954)	(106,459)	-	(1,760,413)
Equipment	<u>(17,552)</u>	<u>(4,859)</u>	<u>-</u>	<u>(22,411)</u>
Subtotal	<u>(1,671,506)</u>	<u>(111,318)</u>	<u>-</u>	<u>(1,782,824)</u>
Total capital assets being depreciated, net	<u>2,207,603</u>	<u>(92,329)</u>	<u>-</u>	<u>2,115,274</u>
Total capital assets, net	<u>\$ 2,346,385</u>	<u>\$ (92,329)</u>	<u>\$ -</u>	<u>\$ 2,254,056</u>

**Leighton Township Green Lake Sewer Commission**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - LONG-TERM LIABILITIES:**

Long-term debt at March 31, 2007 and 2006, is comprised of the following individual issue:

	<u>2007</u>	<u>2006</u>
\$600,000 2002 Sewer Disposal System Revenue Bonds; payable in annual installments of \$50,000 to \$70,000; plus interest at 3.60% to 4.65%; with a final payment due April 2012.	\$ 330,000	\$ 390,000
Less unamortized discount	<u>(6,000)</u>	<u>(7,200)</u>
Total long-term liabilities	<u>\$ 324,000</u>	<u>\$ 382,800</u>

Long-term liability activity for the year ended March 31, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 390,000	\$ 445,000
Additions	-	-
Reductions	<u>(60,000)</u>	<u>(55,000)</u>
Ending balance	<u>\$ 330,000</u>	<u>\$ 390,000</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ -</u>

Debt service requirements at March 31, 2007, were as follows:

<i>Year ended March 31:</i>	<u>Principal</u>	<u>Interest</u>
2008	\$ -	\$ 7,309
2009	60,000	13,372
2010	65,000	10,729
2011	65,000	7,886
2012	70,000	4,847
2013	<u>70,000</u>	<u>1,627</u>
Totals	<u>\$ 330,000</u>	<u>\$ 45,770</u>

***Leighton Township Green Lake Sewer Commission***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## Members of the Commission

### Leighton Township Green Lake Sewer Commission, Michigan

In planning and performing our audit of the financial statements of the Leighton Township Green Lake Sewer Commission as of and for the year ended March 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Leighton Township Green Lake Sewer Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Commission does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the members of the Leighton Township Green Lake Sewer Commission and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

June 30, 2007